NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

The Week in Review

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House Committee Approves HEA Reauthorization Bill

After three days of debate – including a marathon closing session – the House Committee on Education and the Workforce has approved its Higher Education Act reauthorization bill (H.R. 609). While improved from the bill as introduced, the final version includes much of serious concern to the higher education community.

The committee debated approximately 80 amendments and had recorded votes on 40 of them, before it approved the bill by a party-line vote of 27 to 20 in the wee hours of July 22. The bill is now expected to move to consideration by the full House after the August congressional recess.

The measure as reported by the committee eliminates some of the more objectionable features of the original bill in the areas of accreditation, transfer of credit, academic diversity, and reporting/disclosure requirements. However, it continues to involve the federal government in college pricing decisions, and does little to assist student access to higher education.

Under the bill, funding authority would not be increased for any program, with the exception of a modest increase in the allowable Pell Grant maximum. A portion of the savings achieved in the bill will be used to increase first-year, second-year, and graduate loan limits and to phase out origination fees. *(For more detail, see story on loan program provisions, page X.)* However, the bulk of the savings – over $11 billion – will go towards deficit reduction as part of the congressional budget reconciliation process.

Following the subcommittee mark-up (See *WIR*, July 19), NAICU identified five areas of particular concern: college cost, integrity, transfer of credit, campus-based aid formula, and student aid funding levels. Here's how these issues fared:

The **college cost** provisions remain in the bill, and were made even more onerous by the adoption of an amendment by Rep. Todd Platts (R-Pa.). The Platts amendment expanded the reporting requirements included in H.R. 609 for institutions whose tuition increases exceed twice the rate of inflation over a period of three years. Under the amendment, the top 25 percent of those institutions would have to establish a "Quality-Efficiency Task Force" composed of college administrators and business leaders. Task force members would be charged with identifying areas in which an institution is more expensive than its peer institutions and recommending cost-saving measures in these areas. The task force report would be submitted to the Secretary of Education, along with the explanation, management plan, and action plan already required by H.R. 609.

The committee adopted some changes to the **"integrity provisions"** (the separate definition of for-profit institutions of higher education, the 90-10 rule limiting the amount of revenue a for-profit school can receive from federal student aid, and the 50 percent rule on distance education). For-profit advocates were clearly taken aback by the level of concern expressed about these provisions, and scrambled throughout the markup to preserve the gains they had made in the original bill.

By voice vote, the committee adopted an amendment by Rep. Mike Castle (R-Del.) limiting for-profit institution participation in non-HEA programs until such participation is authorized by the committees of jurisdiction over those programs. (Earlier, the Subcommittee on 21st Century Competitiveness had adopted an

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amendment by Rep.Luis Fortuno (R-P.R.) prohibiting for-profit institutions from receiving funds under Titles III and V of the HEA, as reported in *WIR*, July 19.) The committee adopted a second Castle amendment that maintains the 90-10 rule, but applies it to all institutions, not just for-profits. An effort by Rep. Vern Ehlers (R-Mich.) to maintain the 50 percent rule on distance education until completion of a National Academies of Science study of the quality of such education was defeated on a roll call vote of 21 to 27.

The committee defeated, by a vote of 22 to 26, an amendment by Rep. Tim Bishop (D-N.Y.) to strike all of the **transfer-of-credit** provisions from the bill. The substitute bill considered by the subcommittee eliminated the most objectionable transfer-of-credit provisions originally included in H.R. 609, but did retain some transfer-of-credit language. The vote on the Bishop amendment was interesting in that it did not break along strict party lines – five Republicans supported the amendment while four Democrats opposed it.

Committee consideration of the reauthorization bill came to a dramatic close with votes on an amendment offered by Rep. John Tierney (D-Mass.) to prevent the elimination of the base guaranty in the **campus-based aid** programs. It was the last amendment to be voted on during the mark-up, and initially passed by 24 to 23 (with one member voting "present"). Chairman John Boehner (R-Ohio) wanted the committee to reconsider the vote, so members voted on the Tierney amendment a second time. On that vote, the member who had previously voted "present" switched his vote to "no," and the amendment was defeated on a 24 to 24 tie.

The full committee made no changes to **student aid funding levels**. With the exception of the $200 increase in the authorized Pell Grant maximum approved by the subcommittee last week, authorized funding levels were not increased for any HEA programs. In addition, all amendments proposing programs that would require new appropriations were defeated.

A major disappointment was the committee's adoption of an amendment by Rep. Rob Andrews (D-N.J.) that would impose **costly new requirements on colleges** to maintain and report fire safety statistics. The Andrews amendment includes the provisions of separate legislation (H.R. 2637) introduced by Rep. Bill Pascrell (D-N.J.). Patterned after campus crime reporting requirements, the amendment would require all institutions to: (1) make annual reports to students and others about fire safety information, including statistics for the two previous years on fires and false fire alarms in student housing facilities; (2) maintain a written log of fires and false alarms; and (3) report annually to the Secretary on fire statistics. This amendment was approved by a vote of 35 to 13, and received the support of Chairman Boehner and Subcommittee Chairman Howard "Buck" McKeon (R-Calif.) as well as all the Democrats on the committee.

The committee had an extended and lively debate on **academic diversity**. The provisions originally included in H.R. 609 were replaced with language based on ideas from a recent higher education community statement on the topic. (See *WIR*, June 29.) However, Rep. John Tierney (D-Mass.) – joined by all Democrats on the committee – argued that it is not appropriate to address this issue in federal legislation. His amendment to strike the provision was defeated on a party-line vote. The debate erupted again later in the session, when Rep. Charlie Norwood (R-Ga.) offered an amendment giving the new Advisory Board established in the international programs section of the HEA authority to prevent funding of area studies programs found by the board to be "un-American." His amendment was defeated on a 10 to 37 vote.

The amendment prohibiting creation of a student unit record database that was offered in the 21st Century Competitiveness Subcommittee by Rep. Virginia Foxx (R-N.C.) remains in the bill as amended in full committee.

The committee is currently preparing a report on the bill, and it is expected to be considered by the full House of Representatives in September. An estimated $11 billion in savings in the bill will go towards deficit reduction as part of the congressional budget reconciliation process. Because of that, it is not yet clear how the measure will be handled procedurally. The entire reauthorization bill might be folded into the reconciliation bill or, alternatively, the savings provisions could be separated from the reauthorization measure and included in the reconciliation package. ■

Meanwhile in the Senate...

In the Senate Health, Education, Labor and Pensions (HELP) Committee, staff have been working diligently on their HEA bill, and will continue meetings through the August congressional recess, aiming for consideration in early September. ■

House HEA Bill Would Change Student Loan Amounts, Rates, Terms

Many changes were made to the loan programs in H.R. 609, the Higher Education Act reauthorization bill approved by the House Committee on Education and the Workforce on July 22 *(see page 1)*.

It is clear that the benefits to students are limited, and that the estimated $11 billion in savings that the Education and Workforce Committee is required to produce for budget reconciliation will come largely from these programs. As introduced, loan provisions in H.R. 609 were essentially the same as in the House Republicans' Higher Education Act reauthorization bill (H.R. 4283) from the last Congress, with the same borrowing increases and loan terms. Now, though, the full committee has now amended H.R. 609 to provide borrowers interest rate options in paying for consolidated loans, and has reduced certain payments received by lenders and guarantors.

Largely from efforts by NAICU and others to raise loan limits, the House responded by increasing loan limits in several areas. Although small, these increases to the annual borrowing amounts for dependent undergraduates are the first to be proposed in twenty-some years. The annual borrowing limits for Stafford loans increase from $2625 to $3500 for freshmen, and from $3500 to $4500 for sophomores. The aggregate amounts are not changed, however. The annual unsubsidized loan limit for graduate students increases from $10,000 to $12,000.

In addition, the loan origination fee is reduced – from 3 percent to 0 percent, over several years, in the Federal Family Education Loan Program (FFELP), and from 4 percent to 1 percent in the Direct Loan Program. Currently, only some borrowers pay no fee or a lower fee, depending on the lender's willingness to make up the difference or – in the case of direct loans – if the Department of Education agrees to a fee reduction. But H.R. 609 requires guarantee agencies to charge a 1 percent "default reduction fee" to all FFELP borrowers, replacing the current one percent insurance fee that is often waived by guarantors.

While the interest rate on basic student loans will remain variable, borrowers will for the first time have a choice between variable or fixed interest rates on consolidated loans. This provision was advocated by Rep. Tom Petri (R-Wis.). After lengthy negotiations with Chairman John Boehner (R-Ohio), a compromise was reached: both the variable and the fixed interest rates will be based on the 91-day Treasury bill plus a fixed percentage of 2.3 percent for variable rates and 3.3 percent for fixed rates. The cap for consolidated loans remains at 8.25 percent. Students are displeased with this outcome because they advocated for a cap of 6.8 percent – a number based on language in the 1998 HEA reauthorization that fixed the interest rate on loans at 6.8 percent beginning July 1, 2006.

Financing the choice of interest for consolidated loans is costly, and other provisions are included to balance the expense. FFELP lenders may add an "offset charge" up to .5 percent of the loan principal, while under the Direct Loan Program, the Secretary of Education must collect the charge. Also, at full committee mark-up, Petri succeeded in further reducing lender insurance rates and guarantee agency reinsurance rates several percentage points.

On the positive side for borrowers, loan forgiveness was extended to several other professions in areas of national need. Now included are nurses, early childhood educators, foreign language specialists, librarians, speech / language pathologists, bilingual teachers in Title I schools, and first responders in low-income communities. (Funds for this loan forgiveness program are dependent upon appropriations, so loan forgiveness is on a first-come basis.) Also, the provisions of the Teacher-Taxpayer Protection Act, which provides loan forgiveness for certain teachers, is made permanent. This provision is paid for by eliminating the 9.5 percent guarantee on recycled loans originally financed by tax-exempt bonds.

Much to the delight of its supporters, the Perkins Loan program is continued in H.R. 609. The undergraduate annual loan limit is increased from $4,000 to $5,500, while the aggregate limit is increased from $20,000 to $27,000. The graduate student annual limit is increased from $6,000 to $8,000, and the aggregate limit from $40,000 to $60,000. ■

For more information, contact Maureen R. Budetti at NAICU, (202) 785-8866, or *maureen@naicu.edu*.

The House, the HEA, and How Students Have Fared

A Summary of Changes to Student Financial Aid Programs under H.R. 609

Below are some of the more important changes to the student financial aid programs made during consideration of the Higher Education Act by the House.

The House introduced H.R. 609 at the beginning of the 109th Congress. Basically, it is the same bill as H.R. 4283, introduced in the 108th Congress. During July, H.R. 609 was modified by the House Education and Workforce Subcommittee on 21st Century Competitiveness, and then by the full committee. Changes made to Title IV financial aid programs included changes to the Pell program, the loan programs, the campus-based programs, and need analysis formula used to determine eligibility for the programs. Some of the changes provide marginally improved benefits to students. Other clearly do not.

Pell Grants

- The **maximum Pell Grant** authorization level is increased by $200 to $6,000 (the current appropriated amount is $4,050).
- **Year-round Pell Grants** are made available for full-time students in baccalaureate and associate degree programs.
- **Pell Grant eligibility** is limited to nine years.
- **Tuition sensitivity** is eliminated.
- **Enhanced Pell Grants** for State Scholars Program provides a $1,000 bonus for students who take a rigorous program of study in high school.
- **Persons subject to involuntary civil commitment for sexual offenses** are ineligible for Pell Grants.
- The **FAFSA drug conviction question** will now only apply for students convicted while receiving Title IV funds.

Loans

- **Annual borrowing limits** for federal student loans increased from $2,625 to $3,500 for freshman and from $3,500 to $4,500 for sophomores.
- **Annual unsubsidized loan limits for graduate students** increased from $10,000 to $12,000.
- **Variable rate is maintained** on non-consolidated loans.
- Borrowers have a **choice between variable or fixed interest rates on consolidated loans**. Both rates are capped at 8.25 percent. There is a new, optional .5 percent "offset charge" on FFELP consolidation loans. The charge is mandatory on Direct Loan Program loans.
- Over several years, **the loan origination fee is reduced** to 0 percent in FFELP and to 1 percent in the Direct Loan Program.
- Guarantee agencies must charge a 1 percent **"default reduction fee"** to all FFELP borrowers.
- **Loan forgiveness is extended** to professions in areas of national need, in a program that requires appropriations.
- **The Perkins Loan program is continued.** Annual and aggregate loan limits are increased.
- **Lender insurance rates** and guarantee agency reinsurance rates are reduced.
- **Recycling of 9.5 percent loans** will be eliminated.

Need Analysis

- The requirements are made easier for an applicant to qualify for a **simplified needs test or automatic zero family** contribution.
- All **active duty miliary personnel** are treated as independent students.

Campus-based Programs

- The **base guaranty** for the Perkins Loan program, SEOG, and Work-Study is phased out over ten years. ■

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